

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 EB-11 AID-20 COME-00 TRSE-00 OMB-01

NIC-01 SAJ-01 SAM-01 XMB-07 DRC-01 /157 W

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R 010440Z APR 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1563

INFO AMEMBASSY MOSCOW

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY OTTAWA

C O N F I D E N T I A L JAKARTA 3957

E.O. 11652: GDS

TAGS: EAID, UR, ID

SUBJ: SOVIET-INDONESIAN RELATIONS AND THE RECENT
TRADE AGREEMENT

REF: A) STATE 061309 B) JAKARTA 3774

1. SUMMARY: MARCH 28 SOVIET DCM KLIMENKO TOLD POLITICAL
COUNSELOR THAT SOVIET EMBASSY JAKARTA CONSIDERED RECENT
VISIT OF VICE-MINISTER OF FOREIGN TRADE GRISHIN AND THE
TRADE AGREEMENT HE SIGNED AS SMALL STEPS FORWARD TOWARDS
IMPROVED SOVIET-INDONESIAN RELATIONS BUT CERTAINLY NO
SIGNIFICANT BREAKTHROUGH EITHER ECONOMICALLY OR
POLITICALLY. THE SOVIETS BELIEVE THEY WILL LEARN MORE
ABOUT INDONESIAN INTENTIONS WHEN A TOP INDONESIAN
ECONOMIC FIGURE VISITS MOSCOW IN MAY, BUT THEY
HAVE NO ILLUSIONS ABOUT THE PROSPECTS FOR INCREASED
TRADE OR IMPROVED RELATIONS. END OF SUMMARY

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2. KLIMENKO MADE FOLLOWING OBSERVATIONS ON GRISHIN

VISIT:

A. ALTHOUGH GOI GAVE GRISHIN EXCELLENT PROTOCOL TREATMENT AND ARRANGED FOR HIM TO MEET WITH SIX GOI MINISTERS, THERE WAS NO SERIOUS SUBSTANTIVE CONVERSATION.

B. SOVIETS "DETECTED NO REAL WILLINGNESS ON PART OF INDONESIANS TO OPEN TO OPEN GATES TO MORE NORMAL RELATIONS."

C. "INDONESIANS KNOW FULL WELL THAT SOCIALIST CAMP CANNOT COMPETE WITH IGGI COUNTRIES, AND ESPECIALLY WITH USA OR JAPAN, ON CONCESSIONAL FINANCING, YET THEY PRESSED FOR THIS. WE HAVE NEITHER THE MEANS NOR THE DESIRE TO STIMULATE TRADE BY SUCH CONCESSIONAL FINANCING."

D. SOVIETS ARE PURSUING LIMITED OBJECTIVES, SEEKING TO ENGAGE IN SUCH LIMITED TRADE AS POSSIBLE, SUCH AS RECENT SALE OF A ONE MILLION DOLLAR TEXTILE PLANT, BUT THEY WANT IT TO DEVELOP NORMALLY WITH SOVIET EXPERTS PERMITTED TO ASSIST IN INSTALLATION OF MAJOR CAPITAL PLANTS. GOI WOULD NOT AGREE TO SOVIET EXPERTS COMING TO INDONESIA TO ASSIST IN INSTALLATION AND START-UP.

E. INDONESIAN PRESS GAVE FRIENDLY, WELL-DOCUMENTED COVERAGE TO VISIT AND TO WHOLE SUBJECT OF SOVIET-INDONESIAN TRADE, BUT IN DOINT SO PRESS (PARTICULARLY "INDONESIAN OBSERVER" AND "NEW STANDARD") SIMPLY PRINTED MATERIAL SUPPLIED BY SOVIET PRESS ATTACHE.

F. SOVIETS CONCLUDE INDONESIAN SIGNED TRADE AGREEMENT MAINLY TO OPEN NEW OPTIONS AND CREATE PRESSURES ON IGGI DONORS JUST AT TIME THERE IS CONSIDERABLE ANXIETY IN INDONESIAN MINDS ABOUT THEIR FUTURE AID PROSPECTS. IF ALL GOES WELL BETWEEN INDONESIAN AND IGGI DONORS, THERE WILL BE NO SIGNIFICANT INCREASE IN TRADE WITH SOVIET UNION. "SINCE WE HAVE A PLANNED ECONOMY, WE WOULD BE LEFT HOLDING THE BAG IF WE PROGRAMMED PRODUCTION FOR AND SALES TO INDONESIA."

G. FURTHER, SOVIETS BELIEVE DEVELOPMENT OF THEIR
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TRADE WITH INDONESIA DEPENDS ALSO ON POLITICAL RELATIONS BETWEEN INDONESIA AND CAPITALIST TRADING PARTNERS. IF INDONESIAN POLITICAL RELATIOSN WITH CAPITALIST COUNTRIES BEGIN TO WORSEN OR IF INDONESIANS FEEL NEGLECTED OR SCOLDED, THEY CAN EVOKE POSSIBILITY OF INCREASING THEIR TRADE WITH SOVIETS.

H. WHETHER OR NOT ANYTHING COMES OF RECELTY

SIGNED TRADE AGREEMENT DEPENDS ON DESIRES OF INDONESIANS,
ON HOW THEY WANT TO PLAY IT.

I. SOVIETS ARE COUNTING ON MAY VISIT TO SOVIET UNION
BY DR. ARIFIN, DIRECTOR-GENERAL FOR INTERNATIONAL
TRADE RELATIONS IN FOREIGN DEPARTMENT, TO GET DOWN TO
CASES AND PREPARE A DRAFT PROTOCOL FOR 1975 TRADE.
THIS WILL BE THE TEST. IF INDONESIANS SIGN A NEW
AGREEMENT WITH "NORMAL" PROVISION FOR "BALANCED"
TRADE (BARTER), FIXED QUANTITIES, PRICES, AND DELIVERY
SCHEDULES, THAT WILL BE SIGNIFICANT.

3. ON BALANCE, KLIMENKO DOES NOT THINK ANYTHING WILL
COME OF RECENT AGREEMENT AND SUSPECTS INDONESIANS MAY
BE "USING IT AS A GAME AGAINST THE AMERICANS."

4. MARCH 29 SOVIET TRADE REPRESENTATIVE KARPOV DID
NOT CHARACTERIZE AGREEMENT IN POLITICAL TERMS BUT
SAID THAT EVEN IN THE PRESENT CLIMATE OF HOSTILITY,
THERE WERE CERTAIN THINGS SOVIETS COULD SELL INDONESIA,
LIKE TEXTILE PLANT AND SPARE PARTS. KARPOV CLAIMS
INDONESIANS REFUSE TO BUY SOVIET SPARES AND PAY HIGHER
PRICES FOR LESS SATISFACTORY SUBSTITUTES FROM OTHER
COUNTRIES.

5. COMMENT: WE QUESTION KLIMENKO'S VIEW THAT INDONESIANS
SIGNED TRADE AGREEMENT TO BRING PRESSURE ON IGGI DONORS.
WE WOULD ATTRIBUTE SIGNATURE RATHER TO INDONESIAN
DESIRE TO CREATE A MORE NON-ALIGNED POSTURE IN THEIR
FOREIGN ECONOMIC RELATIONS. IGGI DONORS HAVE ON VARIOUS
OCCASIONS IN PAST MADE CLEAR TO INDONESIANS THAT
THERE WOULD BE NO IGGI OBJECTION TO INDONESIA TRADING
WITH SOVIETS OR GETTING AID FROM SOVIETS.
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